

VZCZCXRO2060
PP RUEHTRO
DE RUEHTU #0394/01 1691033
ZNR UUUUU ZZH
P 181033Z JUN 09
FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC PRIORITY 6449
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUCNMGH/MAGHREB COLLECTIVE

UNCLAS SECTION 01 OF 02 TUNIS 000394

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E.O. 12958: N/A
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SUBJECT: TUNISIA: ECONOMIC HIGHLIGHTS

Summary

¶1. (U) This cable contains highlights of recent economic developments in Tunisia:

- ¶A. New Trade Minister
- ¶B. Tunisia Targets Sub-Saharan Africa for Trade
- ¶C. Tunisian Auto Parts Industry Rescued by FDI
- ¶D. Tunisia Tourism Revenue Up Three Percent
- ¶E. Morocco and Tunisia Plan Direct Currency Exchanges

New Trade Minister

¶2. (U) On June 10, President Ben Ali and Prime Minister Ghannouchi announced a partial cabinet reshuffle in which Mr. Ridha Ben Mosba replaced Mr. Ridha Touiti as Trade and Handicrafts Minister. Touiti was appointed Delegate Minister to the Prime Minister. Further details in septel.

Tunisia Targets Sub-Saharan Africa for Trade

¶3. (U) In response to the recent sharp decline in demand from European trading partners, Tunisia is seeking opportunities and trade agreements in sub-Saharan Africa. Tunisian Commerce Secretary of State Chokri Mamoughli announced these new initiatives at a press conference on May 28 prior to leaving for Gabon and the Democratic Republic of Congo.

¶4. (U) With limited diplomatic and banking links and a lack of air, rail, and road connections, trade with sub-Saharan Africa represents only 1.4 percent of Tunisia's overall export market. (Note: The European Union receives nearly 80 percent of Tunisia's exports.) The GOT plans to improve Africa's share to 2.4 percent by 2011 through increased trade with Ethiopia, Senegal, Cote d'Ivoire, the Democratic Republic of Congo, and Gabon.

Tunisian Auto Parts Industry Rescued by FDI

¶5. (U) The Tunisian car parts industry grew during the first four months of 2009, according to official data. Tunisian authorities are reporting 15 percent growth in the automotive cable harness sector

compared to the same period last year, with up to 25 percent growth among some manufacturers. Foreign investment in the sector is credited with job creation: Kromberg & Schubert, established in January 2008, seeks to increase its employee base from 1,400 to 2,200 by the end of 2009.

¶6. (U) Comment: Despite positive official statistics, some industry insiders are reporting furloughs and stagnation. However, manufacturers in the sector have seen some growth due to increased outsourcing from Eastern Europe to the Maghreb. Tax incentives and relatively low cost production are motivating EU companies to shift production to Tunisia as a cost-cutting measure. End Comment.

Tunisia Tourism Revenue Up Three Percent

¶7. (SBU) According to official figures, Tunisia's tourism revenue grew three percent to TND 1.098 billion (\$904 million) in the first five months of the year, defying a slowdown in spending by European consumers. The number of foreign visitors to Tunisia, 2.2 million, grew 1.3 percent from the same period in 2008. Tourism revenue grew to TND 3.5 billion (\$ 2.87 billion) last year, from TND 3.0 billion (\$2.37 billion) in 2007. (Comment: GOT claims of growth may not bear out in terms of hard currency, as the Tunisian Dinar has depreciated by 21 percent against the dollar and 1.64 percent against the Euro since 2008. The full effect of the economic downturn on Tunisia's tourism industry will only be known after the peak summer tourism season. Embassy will send in a longer analysis of the sector at that time. End Comment.)

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Morocco and Tunisia Plan Direct Currency Exchanges

¶8. (U) Morocco and Tunisia are expected to sign an agreement facilitating conversion between the Moroccan dirham and the Tunisian dinar, thereby allowing citizens of both countries to directly exchange currencies, according to press reports. At present, there is no mechanism for direct currency conversion; Moroccans and Tunisians must first convert their currency into Euros or USD as an intermediary step.

¶9. (U) Direct currency conversion would represent a further step in Tunisian-Moroccan economic cooperation. In 2005, Tunisia allowed Moroccan bank Attijari to purchase and control a Tunisian bank, Banque du Sud, and Morocco licensed a Tunisian venture capital enterprise.

¶10. (U) Comment: The Tunisia-Morocco currency agreement is a positive step toward closer economic ties among North African countries. Post will report septel on progress and challenges in Maghreb economic integration. End Comment.